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SUBJECT: AUSTRALIA-INDIA BILATERALS: INDIA'S UNSC BID AND DEEPENING ECONOMIC TIES WITH CHINA

Classified By: Political Counselor Woo Lee for reasons 1.4(b) and (d)

1. (C) SUMMARY: The Australian Department of Foreign Affairs and Trade (DFAT) hosted a Senior Officials Meeting (SOM) and a strategic dialogue with India March 7-8. The SOM's principal topics were the promotion of bilateral economic ties and Australian support for India's bid for permanent UNSC membership. The Australians told the Indian delegation that Australia would publicly support an Indian permanent seat; however, India would need to further strengthen export controls before it could count on the GOA's vote. India also announced that New Delhi and Tokyo had swapped pledges of support for Security Council permanent membership. Overall, the Australians thought the strategic dialogue elicited more rhetoric than substance from the Indians, whose delegation members struck an ideological tone, speaking like "old Moscow hands." Indian officials repeated familiar stances on nonproliferation, Iran, and Pakistan, but did emphasize that they wanted to expand their economic relationship with China. India also expressed interest in joining the Proliferation Security Initiative, but only as an "equal partner." End Summary.

2. (C) Australia consecutively hosted a Senior Officials Meeting and a strategic dialogue with India March 7 and 8, respectively, in Canberra. Rajiv Sikri, Secretary (East) for the Ministry of External Affairs (MEA), headed the Indian delegation, which also included the Indian High Commissioner and the Consul General from Sydney. DFAT Secretary Michael L'Estrange led the Australian SOM delegation and opened the strategic dialogue which Deputy Secretary Nick Warner then took over. Poloff received readouts on both the SOM and the strategic dialogue from DFAT officials.

3. (C) Two Joint Working Groups (JWG), one on Counterterrorism and Immigration and one on Defense, also met on March 7 in preparation for the next day's strategic dialogue. According to DFAT, the two working groups discussed but reached no firm decisions on holding seminars in Southeast Asia on religious extremism and on managing diversity within a democratic framework. In the CT and Immigration JWG, the Australian and Indian delegations agreed that Bangladesh was becoming a country of increasing concern due to its weak economy and "expanding Muslim population." The Australians proposed establishing a third JWG on nonproliferation, which the Indian delegation said it would consider.

SENIOR OFFICIALS MEETING

4. (C) The March 7 Senior Officials Meeting was held at the Secretary of Department level (U.S. Deputy

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Secretary-equivalent). Australian officials gave us an

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overview of the varied agenda that included trade, energy, education, tourism, UNSC reforms, and ASEAN. DFAT India and South Asia Section Director Peter Howarth said the SOM underscored Australia's new effort to improve its relationship with India, particularly in trade. He noted that India was now Australia's 6th largest merchandise export market and two-way investment was substantial. During the SOM, the GOA informed the Indian delegation that Australia would publicly support India's bid for permanent membership on the UN Security Council. Indian officials requested that Australia also talk up India's membership with South Pacific nations, which would have several votes to cast on the UNSC issue.

5. (C) Commenting on ASEAN developments, the Indian delegation noted that Indonesia was reemerging as a key player in Southeast Asia and acknowledged that India wanted to be invited to the East Asia Summit. The delegation stated that the region needed to manage China's expanding political and economic influence, even though India also saw the Chinese market as an opportunity. In that regard, Indian officials informed the Australians that Chinese Premier Wen Jiabao would visit India soon. (NOTE: Chinese and Indian online news sources reported that the purpose of Wen's visit would be to "enhance bilateral ties to strategic levels" and seek a fair resolution to the longstanding boundary issue on the basis of "mutual accommodation and accommodation of reality." End Note.)

16. (C) The Indian delegation also briefed the Australians on the potential development of an Iran-Pakistan-India energy pipeline to bring liquefied natural gas (LNG) through the three countries. Although the Indian and Iranian energy and petroleum ministers had met recently in India to discuss the proposal, Indian officials said their Foreign Minister was not very interested in pursuing the project given the political considerations and security risks involved. GOI officials asserted that Pakistan had a "terrorism infrastructure" that Islamabad had to dismantle. Indian officials also highlighted their concern that 70% of their energy came from the Gulf Region.

17. (C) The two sides also discussed visas and tourism issues in the context of the high numbers of Indian visitors to Australia. According to DFAT, India was Australia's third largest source of foreign students in its tertiary educational institutions. Indians were also the largest recipients, by nation, of Temporary Business Entry visas for information and communications technology professionals, with a 94% approval rate. Overall, 50,000 Indians arrived in Australia every year on various types of visas.

STRATEGIC DIALOGUE

18. (C) In the strategic dialogue that followed the SOM, the delegations found a common perspective on counterterrorism, but differed on other issues such as Iran's nuclear program. Australian officials told us they were disappointed that the Indians had resorted to "old-time rhetoric" on nonproliferation, Iran, and Pakistan.

NONPROLIFERATION

19. (C) The Indians trumpeted New Delhi's work on export controls, noting that it was a difficult challenge because of the many interested agencies in the Indian system. GOI officials emphasized to the Australians that although India was located in an "arc of proliferation," India itself was not a proliferator. India said it had stayed out of the Nuclear Nonproliferation Treaty because of "security compulsions" emanating from within its own region. The Indian delegation expressed concern about weapons transfers from China to Pakistan, and subsequently to Libya and North Korea. Indian officials declared that they were willing to join the Proliferation Security Initiative, but only as an equal partner. They indicated that they would either join the core group or join as an equal member once the core group had been disbanded.

UNSC REFORM

10. (C) The GOI delegation announced that New Delhi had swapped pledges of support for Security Council permanent membership with Tokyo under the proposed UN reforms. India believed it had met all the requirements for membership. GOA officials told the Indians that, although Australia would support India's UNSC bid publicly as promised at the SOM, India would need to strengthen its export controls further before it becomes a permanent member.

CHINA

11. (C) The Indian delegation stressed again that India wanted to improve its relationship with China, noting that there were "growing points of convergence in the relationship." The delegation added that the two countries were trying to put aside differences for the sake of broader interests such as economic cooperation. Indian officials pointed out that China was their fastest growing economic partner. Nonetheless, they wondered whether China could sustain its pace of growth without antagonizing the region or others in the international community and whether the PRC economic system could handle the growth without the modernization of its political system. The GOI delegation believed China needed to be more significantly "factored into the calculations" of the First World across the spectrum of political, economic, and security issues. At one point, Indian representatives described China and India as being "at the center of the universe," noting that the two countries had the world's biggest populations and that India historically had been one of the two biggest economies in the world. It seemed clear to GOA officials that India was keen to expand its economic ties with China and that the development of ties between New Delhi and Beijing would bear watching.

12. (C) At the same time, the Indian delegation claimed New Delhi also wanted to have a better relationship with Japan and talked about "discovering" Japan as a new ally. Indian officials said they had established a security dialogue with Japan and had formed a joint study group for trade and economic relations.

IRAN

¶13. (C) The GOI urged Australia not to support efforts to bring the issue of Iranian nuclear weapons to the UN Security Council. New Delhi's desire was to keep the EU3 dialogue open in the hope that a resolution would come through that process. The GOI delegation added that military action would inflame the whole region and that there should be moderation in maintaining the EU3-Iran dialogue. Indian officials also suggested that Australia and others were trying to hold Iran accountable for not meeting voluntary NPT requirements rather than legal NPT obligations. Iran should be "treated fairly and not singled out," they said.

PAKISTAN

¶14. (C) The Indian delegation characterized Pakistan as exporting terrorism to the region and accused the international community of being too soft on Islamabad, thus only encouraging Pakistan to behave badly. India had been suffering from terrorism for years, officials noted, but only now was terrorism seen as a major problem because the West was targeted. One Indian official asked rhetorically, "Why is Bali any worse than Bombay?" The Indians argued that work against extremism should not target just Muslims because there were Jewish and Christian extremists as well.

OTHER BILATERALS

¶15. (C) According to DFAT, in May Australia would hold the next rounds of continuing strategic dialogues with Indonesia, Japan, South Korea, and Vietnam, and hopefully a first round with Malaysia if the two capitals could agree on dates.

COMMENT

¶16. (C) Australia's strategic dialogue with India did not address some obvious candidate topics such as missile defense, the ASEAN Regional Forum, or the EU arms embargo on China. DFAT officials expressed general frustration that the Indian delegation seemed to be full of "old Moscow hands" who preferred using "NAM rhetoric" over addressing the issues at hand. Only one delegation member, MEA Additional Secretary for International Security Meera Shankar, seemed interested in addressing the specific agenda items. The majority of the discussion was more "ideological," dominated by Indian officials theorizing that the world was becoming more multipolar and that U.S. dominance was transitory.

STANTON